



## The Oregonian

### Credit cards deliver sticker shock

**Interest - About 1 million Bank of America customers who were faithfully making payments are hit with higher rates**

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CHARLOTTE, N.C. -- When Brenda Fishkin got the letter from Bank of America late last month, she thought it might be a joke.

The bank said it planned to almost double the interest rate on her credit card, from about 13 percent to 24.99 percent.

Fishkin, who is 60, couldn't figure out what she'd done to incur the higher rate. She had never been late on a credit card payment, just refinanced her home at a lower interest rate, and just been rewarded by her credit union with a lower rate on her credit card there, she said.

"Trust me," said Fishkin, who lives with her husband in Dallas, N.C. "I wouldn't be aggravated if I were a late customer and I deserved it."

Fishkin's displeasure is shared by hundreds of people who started filling up online message boards recently with complaints that issuers, including industry leader Bank of America, increased their credit card rates without explaining why.

Those increases come at a time when many consumers were expecting their card rates would fall, because the Federal Reserve began cutting the federal funds rate in September. That rate is indirectly tied to the rate of most credit cards.

Card issuers such as Charlotte-based Bank of America usually give themselves broad authority to change customers' interest rates -- a right that they include in the small type of the agreements that cardholders accept.

Some consumers and analysts speculate that Bank of America, which saw profits all but disappear in the fourth quarter, is trying to squeeze money out of its credit card users to make up for disappointing earnings. A January survey by the Federal Reserve found that more banks are tightening standards for approving credit card applications.

It's an indication that issuers fear that the defaults plaguing subprime mortgages will spread to other loans.

Curtis Arnold, founder of U.S. Citizens for Fair Credit Card Terms, said he's also been hearing complaints of unexplained credit card rate increases from customers of JPMorgan Chase & Co. But it seems like Bank of America has been "more aggressive than some other issuers about repricing accounts," he said.

His consumer group, based in Little Rock, Ark., runs the CardRatings.com Web site.

Bank of America spokeswoman Betty Riess said the rate changes are "business as usual." She emphasized that in 2007, about 6 percent of Bank of America's 40 million credit card customers experienced a rate increase. A little more than half of those was from customers falling behind on their payments or going over their limits.

Still, that leaves about 1 million Bank of America customers who were faithfully making their credit card payments but were hit with higher rates anyway.

Riess confirmed that Bank of America can change a customer's credit card rate based on "external credit criteria." That means customers who default on loans from other lenders or do anything that might lower

their credit score can be slapped with a higher interest rate on their Bank of America card -- even if they've never missed a Bank of America card payment.

Consumer advocates say that's unfair. Riess says it's meant to benefit consumers. "This enables us to really look at the risk of an individual account, so accounts that are less risky receive a lower rate," she said. Any rate increases, she said, have a good reason behind them: "We do a thorough analysis before we make a decision."

In letters, which were seen by or described to The Charlotte Observer, Bank of America told customers that they could lock in their current rates if they sent the bank that request in writing and agreed to not use the card anymore but to simply pay down the balance.

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